

Timah Tbk (TINS)

Remains Favorable amid Supportive Global Backdrop

Upbeat ASP Aligning with Uptrend of Global Tin Price

TINS posted the growth of 13.5% y-y into IDR2.6 trillion in 4Q17's sales underpinned by the incline in ASP. Tin metal and tin solder's respective ASP were USD20,429/TNi (+11.0% y-y) and USD19,983/TNi (+11.8% y-y). We oversee that the hike in ASP aligned with the uptrend of global tin price.

4Q17's Constrained Margin

Although it experienced the increment in sales, it posted the hike of 24.6% y-y into IDR2.2 trillion in COGS. It constrained margin; indeed, **4Q17' gross margin was only 14.4%** lower than 4Q16's gross margin of 22.0%. Furthermore, 4Q17's EBIT margin was 5.4% lower than 4Q16's EBIT margin of 14.7%, yet the upswing in other income slightly nudged bottom line up. 4Q17's net profit was IDR202 billion **edging up by 0.3% y-y**.

Projection: 2018's Higher Sales Volume

We project that in 2018, TINS likely registers the increment in sales volume; that is, 2018's sales volume of refined tin hits 32,770 tons beefing up than 2017's sales of 29,000 tons.

Of note, **the U.S. market penetrated by TINS as of the mid-2017** succeeded in doubling the sales volume of tin chemical; on the other hand, IMF's revision to 2018's China economic growth from 6.5% into 6.6% signaled the likely **robust demand of China**.

Target Price of IDR1,240

We use an estimate of forward EV/EBITDA of 7.7x (+2SD based on the last two-year average) as the basis of valuation method for obtaining the target price of December 2018. The target price implies a 2018E EV/EBITDA of 7.6 (vs 6.6x at the present time).

Timah Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	6,968	9,217	11,557	11,738
<i>Sales growth</i>	1.1%	32.3%	25.4%	1.6%
EBITDA	1,476	1,351	1,490	1,488
Net profit	252	502	641	652
EPS (IDR)	34	67	86	88
<i>EPS growth</i>	120.3%	99.6%	27.6%	1.7%
BVPS (IDR)	759	814	890	965
EBITDA margin	21.2%	14.7%	12.9%	12.7%
NPM	3.6%	5.5%	5.5%	5.6%
ROE	4.6%	8.6%	10.1%	9.4%
ROA	2.7%	4.7%	5.4%	5.3%
ROIC	3.5%	5.8%	5.9%	6.4%
P/E	31.8x	11.5x	11.8x	11.6x
P/BV	1.4x	1.0x	1.1x	1.1x
EV/EBITDA	6.2x	6.0x	6.5x	5.8x
DPS (IDR)	10	10	13	13
<i>Dividend yield</i>	0.9%	1.3%	1.2%	1.3%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	1,240
Consensus Price (IDR)	1,281
TP to Consensus Price	-3.2%
vs. Last Price	+22.2%

Shares data

Last Price (IDR)	1,015
Price date as of	Mar 26, 2018
52 wk range (Hi/Lo)	1,215/755
Free float (%)	35.0
Outstanding sh.(mn)	7,448
Market Cap (IDR bn)	7,336
Market Cap (USD mn)	534
Avg. Trd Vol - 3M (mn)	31.97
Avg. Trd Val - 3M (bn)	32.70
Foreign Ownership (%)	6.50

Mining

Metal & Mineral

Bloomberg

TINS IJ

Reuters

TINS.JK

Yuni

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Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	28.5%	4.1%	30.1%	9.1%
Rel. Ret.	30.7%	8.4%	31.4%	-2.8%

A Glance at TINS

TINS is stated-owned tin producer established on August 02, 1976 and running its business in tin mining sector. It is the biggest tin producer in Indonesia and the only tin producer listed on Indonesia Stock Exchange.

TINS's activities consist of exploration, exploitation, mining, processing, and marketing. In 2017, TINS started exploration of new reserves sources in Nigeria. In addition, its products are tin metal, tin chemical, and tin solder.

More than 95% of its products are exported to China's market. Aiming at penetrating the U.S. market, TINS, in the mid-2017, cooperated with China-based tin producer: Yunan Tin.

Refined Tin Sales Volume & ASP | 1Q16 - 4Q17



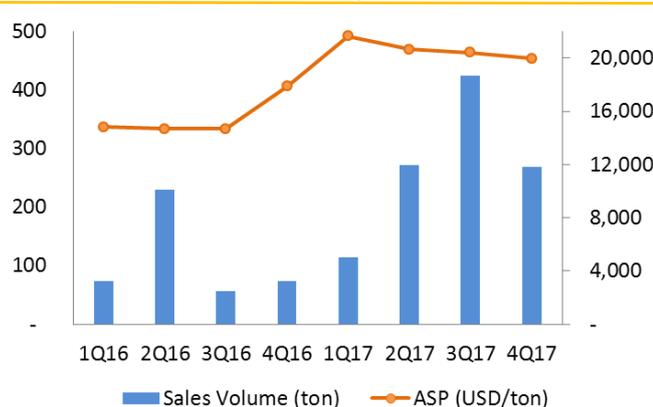
Source: Company, NHKS Research

Tin Chemical Sales Volume & ASP | 1Q16 - 4Q17



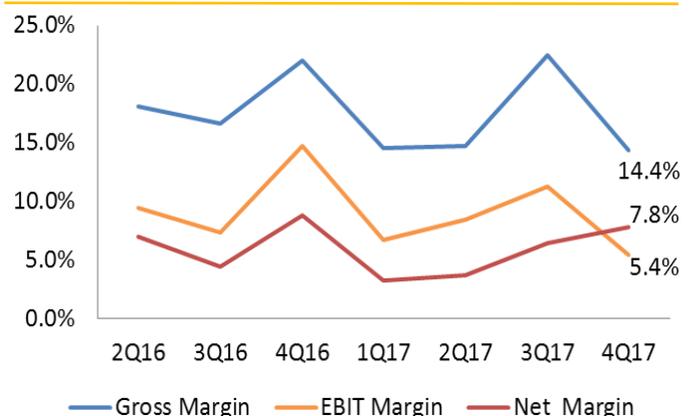
Source: Company, NHKS Research

Tin Solder Sales Volume & ASP | 1Q16 - 4Q17



Source: Company, NHKS Research

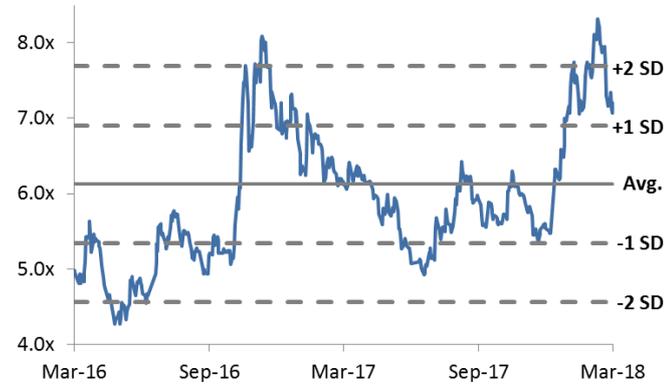
Margin Performance | 2Q16 - 4Q17



Source: Company, NHKS Research

Multiple Valuation

Forward EV/EBITDA band | Last 2 years



Source: NHKS research

Dynamic Forward EV/EBITDA band | Last 2 years



Source: NHKS research

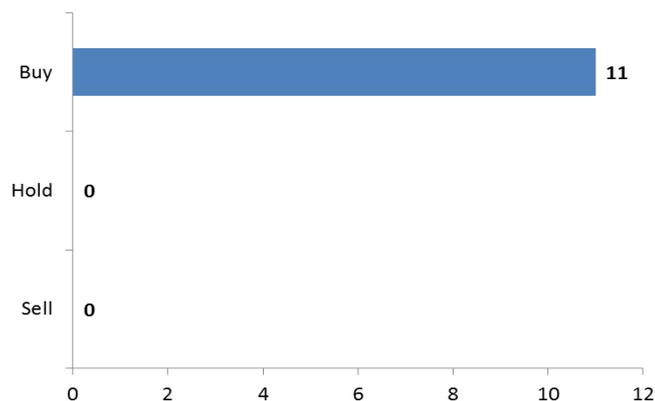
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
7/19/2017	Buy	870	755	1,099	+15.2%	-20.80%
9/20/2017	Buy	1,070	890	1,181	+20.2%	-9.4%
1/16/2018	Buy	1,140	885	1,165	+28.8%	-2.1%
29/03/2018	Buy	1,240	1,015	1,281	+22.2%	-3.2%

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

TINS Summary		
Last Price (IDR)	March 26, 2018	1,015
Target Price (IDR)	Dec 2018	1,240
Analyst: Yuni	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	6,968	9,217	11,557	11,738
Growth (% y/y)	1.1%	32.3%	25.4%	1.6%
COGS	(5,873)	(7,692)	(9,623)	(9,828)
Gross Profit	1,095	1,526	1,934	1,910
Gross Margin	15.7%	16.6%	16.7%	16.3%
Operating Expenses	(597)	(795)	(984)	(968)
EBIT	498	731	950	942
EBIT Margin	7.1%	7.9%	8.2%	8.0%
Depreciation	978	620	540	546
EBITDA	1,476	1,351	1,490	1,488
EBITDA Margin	21.2%	14.7%	12.9%	12.7%
Interest Expenses	(113)	(198)	(219)	(191)
EBT	415	821	929	1,012
Income Tax	(163)	(319)	(288)	(361)
Minority Interest	-	0	0	0
Net Profit	252	502	641	652
Growth (% y/y)	120.3%	99.6%	27.6%	1.7%
Net Profit Margin	3.6%	5.5%	5.5%	5.6%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	564	1,357	1,448	2,292
Receivables	821	1,478	1,688	1,545
Inventories	2,309	2,509	3,317	2,841
Total Current Assets	5,238	6,997	8,190	8,372
Net Fixed Assets	2,383	2,628	2,401	2,283
Other Non Current Assets	1,928	2,251	1,447	1,726
Total Assets	9,549	11,876	12,038	12,381
Payables	661	892	906	930
ST Bank Loan	1,733	2,192	2,053	1,847
Other Current Liab.	667	319	325	331
LT Debt	-	1,500	1,500	1,500
Other Non Current Liab.	834	912	625	586
Total Liabilities	3,895	5,815	5,409	5,194
Shareholders' Equity	5,654	6,061	6,629	7,187

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	252	502	641	652
Deprec & Amortization	978	620	540	546
Chg. In Working Capital	(258)	(1,785)	(1,082)	692
CFO	972	(662)	99	1,890
Capex	(535)	(803)	(313)	(428)
CFI	(548)	(806)	204	(746)
Dividends Paid	-	-	(74)	(94)
Net Borrowing (PMT)	(349)	1,959	(139)	(206)
CFF	(358)	1,955	(212)	(300)
Net Changes in Cash	66	486	91	844

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	93.5	Republic of Indonesia
United States	5.9	Dimensional Fund
Ireland	0.4	Vanguard group
Canada	0.08	Blackrock Fund Adv.

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	4.6%	8.6%	10.1%	9.4%
ROA	2.7%	4.7%	5.4%	5.3%
ROIC	3.5%	5.8%	5.9%	6.4%
EBITDA/Equity	26.8%	23.1%	23.5%	21.5%
EBITDA/Assets	2.7%	4.7%	5.4%	5.3%
Cash Dividend (IDR bn)	76	74	94	96
Dividend Yield (%)	0.9%	1.3%	1.2%	1.3%
Payout Ratio (%)	30.0%	14.7%	14.7%	14.7%
DER	30.7%	60.9%	53.6%	46.6%
Net Gearing	30.4%	60.2%	53.0%	46.1%
LT Debt to Equity	0.0%	24.7%	22.6%	20.9%
Capitalization Ratio	23.5%	37.9%	34.9%	31.8%
Equity Ratio	59.2%	51.0%	55.1%	58.0%
Debt Ratio	18.2%	31.1%	29.5%	27.0%
Financial Leverage	45.0%	42.8%	39.6%	33.9%
Current Ratio	171.1%	205.6%	249.4%	269.4%
Quick Ratio	45.2%	83.3%	95.5%	123.5%
Cash Ratio	18.4%	39.9%	44.1%	73.7%
Cash Conversion Cycle	163	123	126	131
Par Value (IDR)	50	50	50	50
Total Shares (mn)	7,448	7,448	7,448	7,448
Share Price (IDR)	1,075	775	1,015	1,015
Market Cap (IDR bn)	8,006	5,772	7,559	7,559

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	31.8x	11.5x	11.8x	11.6x
Price /Book Value	1.4x	1.0x	1.1x	1.1x
Price/Sales	1.1x	0.6x	0.7x	0.6x
PE/EPS Growth	0.3x	0.1x	0.4x	6.9x
EV/EBITDA	6.2x	6.0x	6.5x	5.8x
EV/EBIT	18.4x	11.1x	10.2x	9.1x
EV (IDR bn)	9,176	8,107	9,664	8,615
Sales CAGR (3-Yr)	6.0%	7.0%	18.8%	19.0%
EPS CAGR (3-Yr)	-21.2%	-9.3%	77.7%	37.3%
Basic EPS (IDR)	34	67	86	88
Diluted EPS (IDR)	34	67	86	88
BVPS (IDR)	759	814	890	965
Sales PS (IDR)	936	1,238	1,552	1,576
DPS (IDR)	10	10	13	13

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF				
NOPAT	302	447	581	606
+Depr./Amor.	978	620	540	546
-CAPEX	(535)	(803)	(313)	(428)
-Incr. (Decr.) in Working Cap.	(258)	(1,785)	(1,082)	692
(Unlevered) FCFE	487	(1,520)	(274)	1,416
WACC				
Cost of Debt (Tax Adj.)	6.5%	5.8%	6.3%	6.1%
Cost of Equity (COE)	9.6%	10.0%	10.6%	10.6%
WACC (%)	9.2%	8.9%	9.1%	9.2%
RIM				
Spread (FROE-COE) (%)	-4.9%	-1.1%	0.0%	-0.7%
Residual Income (IDR bn)	(264)	(61)	(0)	(49)
Equity Charge	515	564	641	701
EVA				
Invested Capital (IDR bn)	7,486	7,387	9,753	10,182
ROIC-WACC (%)	-5.2%	-2.9%	-3.2%	-3.2%
EVA (IDR bn)	(388)	(212)	(309)	(329)

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